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January 23, 1998

TO OUR CUSTOMERS:

Effective immediately, the list price of all R. J. Reynolds Tobacco and Forsyth Tobacco Products (including Private Label) cigarette brands is increased by \$1.25 per thousand (Century brands are increased \$1.00 per thousand). The list price of brands manufactured by RJR-MacDonald, Inc. (Export "A"), and marketed in the U.S. by R. J. Reynolds Tobacco Company, remain unchanged. All allowances and programs remain the same.

All orders on hand, including previously quoted EFT orders, shipping January 26, 1998, and thereafter, will be invoiced at the new price.

As soon as practicable, we will reimburse to you, by credit memorandum, the difference between the old and new price, less 3.25%, covering two weeks' average purchases of cigarette brand styles that increased in price. The four (4) week time period October 13, 1997, through November 7, 1997, will be used in determining your average purchases.

We continue to reserve the right to reduce excessive order quantities by brand style to reasonable amounts in order to provide equitable shipments to all our customers.

R. J. Reynolds Tobacco Company is not liable for any errors in this communication that may occur during the transmission process.

Thank you for your cooperation and support in the marketing of our products.

R. J. REYNOLDS TOBACCO COMPANY

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